

## **Key Findings from the 2015 Medicare Trustees Report**

The annual Medicare Trustees report primarily examines two components of the Medicare program. First, the report examines the Hospital Insurance (HI) Trust Fund, otherwise known as Medicare Part A, which helps pay for hospital, home health following hospital stays, skilled nursing facility, and hospice care for the aged and disabled. Second, the report examines the Supplementary Medical Insurance (SMI) Trust Fund, which consists of Medicare Part B and Part D. Here are some key findings from the Trustees' 2015 report.

### **HI Trust Fund “Is Not Adequately Financed” Over the Coming Decade and Faces Insolvency**

- “The estimated depletion date for the HI trust fund is 2030, the same as in last year’s report. As in past years, the Trustees have determined that the fund is not adequately financed over the next 10 years. ...The HI trust fund has not met the Trustees’ formal test of short-range financial adequacy since 2003. Growth in HI expenditures has averaged 2.1 percent annually over the last 5 years and is projected to average 4.8 percent over the next 5 years.”

### **HI Trust Fund Fails Short-Range Financial Adequacy and Long-Range Close Actuarial Balance Tests**

- “The Trustees project that HI tax income and other dedicated revenues will fall short of HI expenditures in most future years. The HI trust fund does not meet either the Trustees’ test of short-range financial adequacy or their test of long-range close actuarial balance.”

### **HI Trust Fund Could Be Insolvent In Just 7 Years**

- “There is substantial uncertainty in the economic, demographic, and health care projection factors for HI trust fund expenditures and revenues. Accordingly, the date of HI trust fund depletion could differ substantially in either direction from the 2030 intermediate estimate. Under the low-cost assumptions, trust fund assets would start to increase throughout the entire projection period. Under the high-cost assumptions, however, asset depletion would occur in 2022.”

### **Trustees Warn “Medicare Still Faces a Substantial Financial Shortfall,” Says Legislation is Needed “Sooner Rather Than Later” to Protect “Beneficiaries, Providers, and Taxpayers”**

- “Notwithstanding recent favorable developments, current-law projections indicate that Medicare still faces a substantial financial shortfall that will need to be addressed with further legislation. Such legislation should be enacted sooner rather than later to minimize the impact on beneficiaries, providers, and taxpayers.”

### **Trustees Urge Congress and Administration to Work Together to Fix Medicare**

- “The Trustees recommend that Congress and the executive branch work closely together with a sense of urgency to address the depletion of the HI trust fund and the projected growth in HI (Part A) and SMI (Parts B and D) expenditures.”

### **Spending for Physician Services and Drug Coverage Will Grow Much Faster Than the Economy**

- “Under current law, the Trustees project an average annual Part B growth rate of 6.7 percent over the next 5 years. For Part D, the estimated average annual increase in expenditures is 10.9 percent over the next 5 years. The projected average annual rate of growth for the U.S. economy is 5.3 percent during this period, significantly slower than for Part B and Part D.”

### **Obamacare Made More Than 160 Changes to the Medicare Program**

- “The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, introduced large policy changes and additional

projection uncertainty. This legislation, referred to collectively as the Affordable Care Act or ACA, contains roughly 165 provisions affecting the Medicare program.”

### **If Health Sector Does Not Improve, Obamacare’s Cuts Would Reduce “Availability and Quality” of Care for Seniors**

- “The Board assumes that the various cost-reduction measures—the most important of which are the reductions in the annual payment rate updates for most categories of Medicare providers by the growth in economy-wide private nonfarm business multifactor productivity—will occur as the ACA requires. The Trustees believe that this outcome is achievable if health care providers are able to realize productivity improvements at a faster rate than experienced historically. However, if the health sector cannot transition to more efficient models of care delivery and achieve productivity increases commensurate with economy-wide productivity, and if the provider reimbursement rates paid by commercial insurers continue to follow the same negotiated process used to date, then the availability and quality of health care received by Medicare beneficiaries would, under current law, fall over time relative to that received by those with private health insurance.”

### **Congress Passing H.R. 2 (MACRA) Yielded a Clearer View of Medicare’s Finances**

- “In the 2014 report, the income, expenditures, and assets for Part B shown throughout the tables reflected the projected baseline scenario, which assumed an override of the SGR payment provisions and an increase in the physician fee schedule equal to the average of the most recent 10 years of SGR overrides (through March 2015) or 0.6 percent. Since the new legislation has replaced the SGR system with specified payment updates for physicians, the projections in this year’s report, with one exception related to Part A, are based on current law; that is, they assume that laws on the books will be implemented and adhered to with respect to scheduled taxes, premium revenues, and payments to providers and health plans.”

### **Repealing Obamacare’s Medicare Cuts *Without Replacing Them With Other Changes* Would Yield Higher Spending Which “Would Substantially Increase the Strain” on Workers, Economy, Seniors**

- “If the reduced price increases for physicians and other health services under Medicare are not sustained and do not take full effect in the long range as in the illustrative alternative projection, then Medicare spending would instead represent roughly 9.1 percent of GDP in 2089. Growth under any of these scenarios, if realized, would substantially increase the strain on the nation’s workers, the economy, Medicare beneficiaries, and the federal budget.”

### **Facing Headwinds from Obamacare Changes, Medicare Advantage Enrollment Will Increase Slightly**

- “The Trustees project that the overall participation rate for private health plans will be almost 32 percent in 2015 and will reach about 35 percent in 2022, which is somewhat higher than assumed in prior reports primarily because enrollment in these plans has been less sensitive to ACA payment reductions than previously assumed.”

### **Future Medicare Spending “Adds Significantly to the Federal Budget Pressures” and Places “A Growing Burden On Beneficiaries”**

- “The Trustees expect growth in SMI Part B and Part D premiums and general fund transfers to continue to outpace GDP growth and HI payroll tax growth in the future. ... Growth in general revenue financing as a share of GDP adds significantly to the Federal budget pressures. SMI premiums will also grow in proportion to general revenue transfers, placing a growing burden on beneficiaries.”